

The complaint

Miss C is unhappy Starling Bank Limited won't refund all the money she lost as the result of a safe account scam.

What happened

As both parties are familiar with the details of the scam I won't repeat them in full here. In summary on 26 April 2024 Miss C made two debit card payments for £1,900 and £1,800 after receiving a call she believed to be from Starling. The caller said there had been fraudulent activity on her account and so she should move her funds to a new account that it provided the details for. When Miss C realised this was a scam she contacted her bank that same day.

Starling said it should have done more to protect Miss C when she made the second payment and so refunded that in full.

Miss C wants the first payment refunding too, and also says something should be put in place so banks have to answer security questions from their customers, not just the other way round.

Our investigator did not uphold Miss C's complaint. She did not think the bank should have intervened in the first payment. She found it should have intervened in the second payment and would have been able to break the spell of the scam thus preventing the loss. But Starling has already refunded £1,800 it need do any more. She noted as there was contributory negligence in the part of Miss C she would not be instructing Starling to pay any interest on the amount already refunded.

Miss C disagreed with this assessment and asked for an ombudsman's review. She said again when she calls the bank they ask numerous security questions, why are customers not protected when the banks call them, why can customers not ask security questions so they know they're actually speaking to the bank and not a scammer? She is also not happy with how the bank responded when she reported the scam – her credit card provider refunded five transactions in full within 48 hours when she was scammed on that card. The whole experience has been very distressing for her.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so I am not upholding Miss C's complaint. I'll explain why.

There's no dispute that Miss C made and authorised the payments. Miss C understood why she was making the payments and where she was sending the money to. At the stage she was making these payments, she believed she was moving money to a safe account in order to protect it. I don't dispute Miss C was scammed and she wasn't making the transfers for the reasons she thought she was, but I remain satisfied the transactions were authorised

under the Payment Services Regulations 2017.

It's also accepted that Starling has an obligation to follow Miss C's instructions. So in the first instance Miss C is presumed liable for her loss. But there are other factors to take into account.

I have considered the law, regulator's rules and guidance, relevant codes of practice and what I consider to have been good industry practice at the time. To note, as the payments were made by debit card they are covered by the Contingent Reimbursement Model (CRM) so the principles of that code do not apply in this case.

So, overall, I think that Starling should have:

- been monitoring accounts and payments made or received to counter various risks, including fraud and scams, money laundering, and the financing of terrorism.
- had systems in place to look out for unusual transactions or other signs that might indicate that its customers were at risk of fraud (amongst other things). This is particularly so given the increase in sophisticated fraud and scams in recent years, which financial institutions are generally more familiar with than the average customer.
- in some circumstances, irrespective of the payment channel used, taken additional steps or made additional checks before processing a payment, or in some cases declined to make a payment altogether, to help protect its customers from the possibility of financial harm.

There is no dispute about payment two as it has been refunded so I will focus here on payment one. In this case I don't think Starling ought to be held liable for that transaction.

I don't find the first payment ought to have triggered an intervention from Starling. Whilst it was higher in value than Miss C's average transactions, a one-off higher value payment is not uncommon and not in itself an indicator of possible financial harm. And there were no other characteristics that ought to have concerned Starling – for example, it did not drain Miss C's account. So it follows I cannot hold Starling liable for Miss C's £1,900 loss.

The second payment was made in very quick succession and at that point - as all parties now agree – I would have expected the bank to intervene. I will not comment further on that payment though as Starling has already refund it in full. With regards the investigator's point about not awarding interest I note from Miss C's statement that it didn't debit Miss C's account until the same date the refund credited her account so I need make no finding on that point.

I have then considered if Starling did what we would expect to try to recover the money once Miss C reported the scam.

As the payments were made with a debit card, the only recourse Starling had to try and recover the money once it was aware was by chargeback. It should be noted that the chargeback process is a voluntary scheme run by the payment networks that the card issuer (in this case Starling) can access. A chargeback is ordinarily for a dispute between a consumer and a merchant and for this reason, there would not be a suitable chargeback code for this situation. The chargeback reason of fraud would not be successful because Miss C authorised the payments and the fraud chargeback reason is for payments the consumer didn't make, which wasn't the case here. With this in mind, I don't think Starling made an error when it did not initiate a chargeback claim in this case.

Miss C is also unhappy with how Starling responded when she raised her fraud claim, giving

an example of much better service from her credit card provider. But from the available evidence I think it acted in a timely manner providing the refund of payment two within two days on 28 April 2024 and a response in full by 13 May 2024.

Miss C also made the suggestion that banks should have to respond to security questions when they call customers to prevent scammers being able to impersonate fraud departments. But it is not within our remit to look at process, policies or systems across the industry – that is the role of the regulator, the Financial Conduct Authority (FCA).

In summary, I am not instructing Starling to refund any additional money to Miss C. I'm sorry Miss C has lost a considerable amount of money and I can understand why she would like to be compensated for her loss. I do accept she has fallen victim to a cruel scam and this has caused significant distress. But I can only consider whether Starling, which had no involvement in the scam itself, should be held responsible for what happened. For the reasons set out above I do not find Starling can be held liable for payment one in the circumstances of this case.

My final decision

I am not upholding Miss C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 17 December 2024.

Rebecca Connelley
Ombudsman